



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 16, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Post Oak Bank, National Association
Charter Number 24491**

**2000 West Loop South, Suite 100
Houston, TX 77027**

**Comptroller of the Currency
Houston Field Office
1301 McKinney Street, Suite 1410
Houston, TX 77010-3031**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Post Oak Bank, National Association (POB) has a satisfactory record of meeting credit needs within the community. The following supports this rating:

- The Loan-to-Deposit ratio exceeds the standards for satisfactory performance.
- A majority of loans are originated in the Harris County Assessment Area (AA).
- The level of lending to small businesses and the geographic distribution of loans to small businesses is good.

DESCRIPTION OF INSTITUTION

POB is an independently owned institution located in Houston, Texas chartered July 30, 2004. The main office is at 2000 West Loop South. In addition, the bank has three branch locations. The Town & Country branch opened on April 21, 2006 at 701 Town & Country Boulevard, Houston, Texas 77027. The two other branches are temporary. The Highway 290 branch at 13111 Northwest Freeway, Houston, Texas 77040 opened January 4, 2007. The Pasadena branch at 4908B Fairmont Parkway, Pasadena, Texas 77045 opened January 22, 2007. POB is in the process of building permanent facilities for the Highway 290 branch and the Pasadena branch. Currently, POB does not have drive-in facilities at any of the four locations. A drive-in facility is not feasible at the main office considering the building design, location, and accessibility. For the three branch offices, drive-in facilities are being constructed. The bank has ATM services at the main office, Town & Country branch, and Pasadena Branch. After completing construction, ATM services will be available at all branches. At December 31, 2006, total assets are \$164 million. The bank's primary lending focus is commercial business lending. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. This is the bank's first Community Reinvestment Act (CRA) examination.

Please refer to POB's CRA Public File for more information about this institution.

DESCRIPTION OF HARRIS COUNTY

Harris County is the largest county in Texas and the third largest in the United States. According to the U. S. Census Bureau, the county's population was 3.6 million residents as of July 2003 with a growth rate during the past decade of 13.2 percent. Harris County has 649 census tracts with 63 designated as low-income and 223 as moderate-income. The number of middle-income and upper-income census tracts is the same at 178. Tracts not designated are 7 in number. These tracts are shown as NA in the footnotes to the geographic distribution tables in this evaluation. Houston is the largest city in Harris County and Texas, and it is the fourth largest in the nation. U. S. Census information reveals the population increased almost 20 percent from 1.6 million in 1990 to 2 million in 2000. According to the Texas State Data Center

and the Texas State Water Development Board, the Houston population will increase from 6 to 13 percent by 2010. Houston has the largest medical center in the world, the Texas Medical Center. The Center's economic impact exceeds \$10 billion annually, and it has approximately 61 thousand employees. Also, Houston is second only to New York City in Fortune 500 company headquarters. Per the U. S. Department of Labor, the current unemployment rate is 4.6 percent.

The top ten employers in Houston include: Houston Independent School District, City of Houston, Administaff, Continental Airlines, Memorial Herman Healthcare System, Exxon Mobil Corporation, University of Texas M. D. Anderson Cancer Center, Halliburton, Kroger, and ARAMARK Corporation.

Local banking competition is intense and includes branches of large national banking companies, regional banks, many small community banks, credit unions, and non-bank financial service providers. The largest five competitors include: JP Morgan Chase Bank, N. A., Bank of America, N. A., Wells Fargo Bank, N. A., Amegy Bank, N. A., and Washington Mutual Bank. POB is 58th in deposit market share among financial institutions in Harris County.

We completed community contacts with community development corporations in Harris County. All discussed a need for affordable housing. POB has originated several loans for multi-family properties that provide for affordable rental housing. In addition, two contacts discussed affordable mortgage financing for individuals with incomes below the median income or low credit scores. Mortgage financing, especially long-term fixed rate mortgage financing, is not a primary credit product although the bank does offer short-term mortgage financing. A third contact discussed a need for neighborhood shopping center and strip malls, affordable housing financing, and land acquisition for in-fill and small subdivision development. The bank's primary loan product is commercial and commercial real estate, and officers have originated loans meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The primary loan product by number and dollar is business loans (commercial and commercial real estate) comprising 57 percent by number and 67 percent by dollar of loan originations during the CRA evaluation period from the date the bank was chartered through April 16, 2007. This product is assigned the greatest weight in determining a rating. In addition, we reviewed consumer lending since it is 21 percent of the number of originations, but it is insignificant as a percent of the dollar amount of originations at 4 percent. Therefore, we assigned less weight to consumer lending in determining the bank's overall rating. In addition, the bank's good level of community development lending has a positive impact on our overall rating of lending performance.

Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) exceeds the standards for satisfactory performance. It has averaged 84 percent since the bank was chartered even with a large temporary deposit not available for lending decreasing the LTD for the quarter ending December 31, 2006. It compares favorably to a peer group of 29 banks in Harris County with a 77 percent average LTD ratio.

Lending in Assessment Area

Lending in the AA is a majority and meets the standards for satisfactory performance. Officers originated a total of 810 loans of all types since the bank was chartered. Management provided reliable information on the census tract location of these loans. This information is shown in the following table:

Table 1 – Lending in Harris County										
	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	665	82.10	145	17.90	810	90,336	81.25	20,840	18.75	111,176

Source: data collected by bank.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, lending to borrowers of different incomes and to businesses of different sizes meets the standards for satisfactory performance.

Lending to businesses of different sizes is good. We selected a sample of 33 commercial loans and 11 commercial real estate loans using a statistical method to review lending to businesses of different sizes. In the table below, the “% of AA Businesses” is an average of three years of Dunn and Bradstreet business income data. For businesses with revenues of \$1 million or less, the percentages are 62.44 percent in 2004, 64.01 percent in 2005, and 68.18 percent in 2006. Data is not yet available for 2007. The details of our review of the loan sample are in the following table:

Table 2A - Borrower Distribution of Loans to Businesses in Harris County (2004 Through Year-to-Date 2007)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.88	6.02	29.10	100%
% of Bank Loans in AA by #	56.82	43.18	0.00	100%
% of Bank Loans in AA by \$	55.53	44.47	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The borrower distribution of consumer loans is lower than the characteristics of the AA. We selected a sample of 20 consumer loans using a statistical method to review lending to borrowers of different incomes. The bank’s performance is compared to information about the AA obtained from the 2000 U. S. Census data. Officers did not originate any loans to low-income borrowers during the CRA evaluation period. Lending opportunities to low-income borrowers are limited by the main office location, newness of the branch locations, temporary branch facilities, and lack of drive-in facilities. Lending to low-income borrowers should increase with the completion of construction at two branches and the addition of drive-in facilities at three branches. The level of loan originations to moderate-income borrowers exceeds the characteristics of the AA. The details of our review of the loan sample are in the following

table:

Table 2B – Borrower Distribution of Consumer Loans in Harris County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	23.99	0.00	17.61	20.00	18.34	0.00	40.06	80.00

Source: loan sample; U. S. Census data.

Geographic Distribution of Loans

Overall, the geographic distribution of loans meets the standards for satisfactory performance. The table information for the geographic distribution of loans to businesses and geographic distribution of loans to consumers is based on all loans originated in the AA since the bank was chartered for the two loan products. Management provided reliable information about the census tract location for 343 commercial loans, 118 commercial real estate loans, and 171 consumer loans.

The percentage of businesses in low- and moderate-income census tracts is very similar in 2004, 2005, and 2006 according to Dunn and Bradstreet business location data. Data is not yet available for 2007. In the table below, the “% of AA Businesses” is an average of the three years of Dunn and Bradstreet data. The bank’s percentage is a total of the percentage of the three years and year-to-date 2007 loan originations. The bank’s lending to businesses in low- and moderate-income census tracts is near to the percentage of businesses in these census tracts and is good. The geographic distribution of the bank’s loan originations is shown in the following table:

Table 3A – Geographic Distribution of Loans to Businesses in Harris County (2004 Through Year-to-Date 2007)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	6.00	5.37	28.19	24.23	26.06	21.17	39.46	49.23

Source: data collected by bank; Dunn and Bradstreet. NA census tracts are 0.29%.

The geographic distribution of consumer loans is lower than the demographic characteristics of the AA. Officers did not originate any loans in low-income census tracts. Also, officers originated a limited number of loans in moderate-income census tracts. Opportunities for lending in low-income and moderate-income census tracts are limited by the bank’s main office location, newness of the branch locations, temporary branch facilities, and the lack of drive-in facilities. Lending in low- and moderate-income census tracts should increase with the completion of construction at two branches and the addition of drive-in facilities at three branches. The geographic distribution of the bank’s loan originations is shown in the following

table:

Table 3B - Geographic Distribution of Consumer Loans in Harris County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	7.55	0.00	31.42	8.97	30.59	17.24	30.44	73.79

Source: data collected by bank; U. S. Census data.

Community Development Loans

Officers originated a good level of community development loans. Officers originated 4 loans totaling \$2.4 million for multi-family affordable housing apartments. These apartments have rents below the AA average monthly gross rent and provide affordable housing for low- and moderate-income persons. Also, a loan for \$1.2 million was originated in a low-income census tract in the AA that revitalizes and stabilizes this area in addition to providing permanent jobs. And, officers originated a loan for \$188 thousand to a non-profit organization not secured by real estate. This organization provides space for several programs benefiting low- and moderate-income persons.

In addition to the loans discussed above meeting the definition of community development lending, officers originated two loans that meet the purpose test but not the size test of the definition. These loans were included in the small loans to business but are worthy of mention. One loan was originated for \$500 thousand to a borrower for affordable rental homes in Jefferson and Orange Counties in Texas. This is a designated disaster area affected by Hurricane Rita in September 2005. Another loan for \$515 thousand was originated to a business located in a moderate-income census tract in the AA for an office building. The business is involved in the rehabilitation, sale, and rental of affordable homes. It revitalizes and stabilizes the area in addition to providing permanent jobs.

Responses to Complaints

POB did not receive any CRA related complaints during the CRA evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.